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SelectHealth Preliminary Rate Increase Justification for 2017 Small Group Health Benefit Plans

Rate Change

The 2017 requested average rate increase for Affordable Care Act (ACA) plans is 7.9 percent when compared to July 2016 rates, which results in an annual change of 16.4% percent. The actual rate change varies by geographic area and selected benefit plan. The average annual increase in the Boise area varies from 9.9 to 16.9 percent. The area factors impact the total increase by:

- an additional 2-6% in areas 1, 2 and 3
- an additional 9-12% in areas 4 and 7

Most Significant Factors

The rate change described above is driven by the following factors:

1. Underlying growth in health care costs and utilization: 9%
2. The composition of the single risk pool: 8%

The total of the above factors sum to the total average rate increase listed above. 1) The expected trends for utilization and inflation impact the rate increase. 2) The claims experience and health risk for the ACA risk pool is higher than projected. Additional factors leading to this increase are the extension of Transition Relief policies and rapidly escalating pharmacy costs.

Financial Experience

For 2015, the average premium per member per month was \$293. The average paid claims per member per month was \$281.

Key Assumptions

The annual cost trends used in developing the 2017 rates:

- Medical: 7%
- Drug: 22%

Medical trends are expected to be at historical levels while pharmacy trends are expected to increase substantially similar to prior years.

The 2017 rates are made up of the following components:

- Claims: 82.1%
- Administrative Costs: 7.6%
- Federal Taxes and fees: 0.9%
- States taxes and fees: 1.8%
- Commissions: 5.0%
- Contribution to surplus, profit, and risk margin to account for variability of claims: 2.3%